20142015

ANNUAL REPORT

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Nova Scotia Business Inc.

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Nova Scotia Business Inc.

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MESSAGE FROM THE BOARD CHAIR AND THE PRESIDENT AND CEO

Nova Scotia Business Inc. drives economic momentum in Nova Scotia through attracting and expanding investment, and helping businesses in all communities be more successful exporters. Nova Scotia Business Inc.'s impact can best be measured through the success of its private-sector companies who look for new opportunities, define their competitive advantage, and work hard every day to create innovative products and services.

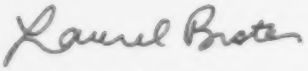
In 2014-2015, Nova Scotia Business Inc. welcomed new private-sector companies to Nova Scotia, and helped over 250 Nova Scotia companies enter new or existing markets around the world. Nova Scotia Business Inc. provided business navigation services for over 680 clients and businesses across the province and charted 17 payroll rebates to encourage job creation.

2014-2015 also brought changes to Nova Scotia Business Inc. The government commissioned independent reviews of provincial economic development assistance programs and structures and as a result, Nova Scotia Business Inc. welcomed a new mandate.

The Nova Scotia Commission on Building Our New Economy's report identified bold targets with respect to increasing the value of exports as well as the number of companies exporting by 50 per cent over the next ten years. Nova Scotia Business Inc. recognizes the important role it must play in supporting and achieving these goals in order to ensure a strong, prosperous future for all Nova Scotians, today and tomorrow.

In 2015-2016, Nova Scotia Business Inc. will bring a new targeted focus to its efforts, strengthen its partnerships, and drive measurable results as it continues to sell the world on doing business in Nova Scotia and sell Nova Scotia businesses to the world. We look to the year ahead with refreshed motivation and emphasis and are excited about the role Nova Scotia Business Inc. will play in building Nova Scotia's future economic prosperity.

Janice Stairs
Board Chair
Nova Scotia Business Inc.



Laurel C. Broten
President and CEO
Nova Scotia Business Inc.

Board of Directors Overview

Due diligence and adherence to rigorous corporate governance guides the action of Nova Scotia Business Inc.'s private-sector board. Comprised of respected leaders from communities across Nova Scotia, the Board of Directors provides guidance and governance for business activities.

Including committee meetings, members of the board met in 2014-2015 to:

- Oversee the corporate governance framework
- Review and approve quarterly and annual financial reports
- Oversee the strategic business planning process
- Identify and monitor risks facing the corporation
- Monitor the integrity of the corporation's internal control systems
- Approve financial transactions within board limits.

Board of Directors

Janice Stairs, Chair
(appointed director, September 2009)

- Namibia Rare Earths Inc., General Counsel
- McInnes Cooper, Halifax Counsel
- Aurico Gold Inc. (TSX:NYSE), Board of Directors
- NovaCopper Inc. (TSX:NYSE-MKT), Board of Directors
- Halifax Grammer School, Board of Governors and Executive Committee, Past Member
- Nova Scotia District Council of Investment Dealers Assoc., Past Member

Paul Belliveau FCA
(appointed director, February 2013)

- Belliveau Veinotte Inc., Partner
- Bridgewater Development Association, Former Chair
- Lunenburg County Lifestyle Centre, Former Chair
- AC Group of Independent Accounting Firms Limited, Board of Directors

Simon d'Entremont
(appointed director, January 2012)

- Economic and Rural Development and Tourism, Deputy Minister
- Innovacorp, Board of Directors
- Trade Centre Limited, Board of Directors
- Nova Scotia Tourism Agency, Board of Directors
- Film and Creative Industries of Nova Scotia, Board of Directors
- Waterfront Development Corporation Ltd., Board of Directors

Ray Ivany
(appointed director, December 2010)

- Acadia University, President and Vice-Chancellor
- Nova Scotia Community College, Former President and CEO
- Worker's Compensation Board of Nova Scotia, Former Chair
- Natural Sciences and Engineering Research Council of Canada, Council Member
- Nova Scotia Commission on Building our New Economy, Chair
- Nova Scotia Power Inc., Board of Directors
- Rothesay Netherwood School, Board of Directors
- Perennia, Board of Directors

Dan Christmas
(appointed director, June 2010; term expired June 2014)

- Membertou Band Council and Membertou Corporate Division, Senior Advisor
- Nova Scotia Commission on Building our New Economy, Commissioner
- Cape Breton Partnership, Past Chair

Bert Frizzell
(appointed director, September 2011)

- The Shaw Group, Vice Chairman
- Acadia University, Board of Governors
- Heritage Gas, Board of Directors
- LED Roadway Lighting, Board of Directors
- West Bedford Holdings Ltd., Board of Directors

Cheryl Hodder QC
(appointed director, November 2012)

- McInnes Cooper, Partner
- Canadian Institute of Corporate Directors, Maritime Chapter, Chair
- Film and Creative Industries, Chair

Marie Mullally
(appointed director, December 2014)

- Credit Union Atlantic, President and CEO
- Nova Scotia Gaming Corporation, Former President and CEO
- Halifax International Airport Authority, Vice-Chair

Stuart Rath
(appointed director, March 2007)

- Stuco Holdings Limited, President and Director
- Truro Centre Limited, Vice President
- Truro Industrial Society, Past Chair

Scott Travers
(appointed director, June 2009)

- DSquared Consulting, President
- Minas Basin Pulp and Power Company Ltd., Past President and COO
- Newton Falls Fine Paper Company, LLC, Former Vice Chairman and President
- Electrical Consumers Association of Nova Scotia, Founding Member
- Seaforth Energy, Past Board of Directors
- Woodland Biofuels, Board of Directors
- Nova Renew Inc., Founder and Board of Directors
- Crown Fibre Tube, Past Board of Directors
- Pulp and Paper Technical Association of Canada, Past Chair
- Tignish Initiatives, Board of Directors
- MTEC (Marine Tidal Energy Corp), Board of Directors

Lois Dyer Mann
(appointed director, December 2007)

- Knightsbridge Robertson Surrette, Partner
- 2011 Canada Winter Games Host Society
- Halifax Chamber of Commerce, Past Chair
- IWK Health Centre Foundation, Former Trustee
- Chester Art Centre, Board of Directors

Sean C. Murray
(appointed director, June 2007)

- Advocate Printing and Publishing Company Limited, President and CEO
- Canadian Printing Industries Scholarship Trust Fund, Trustee
- Juvenile Diabetes Research Foundation Canada, Board of Directors
- Aberdeen Health Foundation, Board of Directors
- Centre for Family Business and Regional Prosperity, Dalhousie University, Advisory Board

Ronald E. Smith
(appointed director, May 2011)

- Maritime Tel & Tel Ltd., Former CFO
- Emera Inc., Former CFO
- Canada Pension Plan Investment Board, Board of Directors
- AuRico Gold Inc., Board of Directors
- Pro Real Estate Investment Trust, Board of Trustees
- Public Service Superannuation Plan Trustee Inc., Chair
- Acadia University, Board of Governors, Past Chair
- The Arthritis Society, National Treasure
- Western Regional Economic Network, Board of Directors
- Building the Freetown Initiative, Board of Directors

COMMITTEES AND OFFICERS

The Audit, Human Resources Governance, and Investment Committees serve to assist the board in carrying out its responsibilities.

Audit Committee

Bert Frizzell, Chair
Dan Christmas *(until June 2014)*
Cheryl Hodder
Paul Belliveau

The Audit Committee oversees Nova Scotia Business Inc.'s financial reporting, assesses its internal controls and risk environment, and reviews the report prepared by the corporation's external auditor.

Human Resources Governance Committee

Lois Dyer Mann, Chair
Ray Ivany
Cheryl Hodder
Marie Mullally

The Human Resources Governance Committee ensures appropriate human resources management policies are in place, manages the recruitment process for new board members, and develops and oversees Nova Scotia Business Inc.'s corporate governance principles.

Investment Committee

Sean Murray, Chair
Stuart Rath
Scott Travers
Janice Stairs
Bert Frizzell
Ron Smith

The Investment Committee oversees Nova Scotia Business Inc.'s investment framework and policies, monitors the performance of the corporation's investment portfolio, and recommends financial transactions outside its approval limit to the full board for approval.

2014-2015 INVESTMENT AND PROJECT ACTIVITY

NOVA SCOTIA BUSINESS FUND TRANSACTIONS

COMPANY	TYPE	LOCATION	AMOUNT
Clear Picture Corporation	Working Capital	Halifax	500,000
Ledwidge Lumber Company Ltd.	Guarantee	Elmsdale	1,500,000
Internetworking Atlantic Inc.	Working Capital	Halifax	400,000
Sable Engineering Ltd.*	Working Capital	Trenton	200,000
			$2,600,000

*Withdrawn

STRATEGIC INVESTMENT FUND TRANSACTIONS

COMPANY	TYPE	LOCATION	AMOUNT
Ping Identity	Payroll Rebate	Halifax	918,000
Millennium1 Solutions	Payroll Rebate	Bridgewater	1,137,500
NTT DATA Canada, Inc.	Payroll Rebate	Halifax	6,720,706
Gevity Consulting Inc. (Global Village Consulting)	Payroll Rebate	Halifax	472,500
Introhive	Payroll Rebate	Halifax	979,688
Manulife Financial	Payroll Rebate	Halifax	3,843,750
Innovatia Inc.	Payroll Rebate	Halifax	959,400
CNS Accounting Solutions Ltd. (BDO Cayman)	Payroll Rebate	Halifax	528,000
Slyce Holdings Inc.	Payroll Rebate	New Waterford	4,433,250
Karma Gaming	Payroll Rebate	Halifax	381,000
GoSecure Inc.	Payroll Rebate	Dartmouth	1,521,000
BioVectra	Payroll Rebate	Windsor	1,606,550
Lockheed Martin Canada	Payroll Rebate	Dartmouth	6,500,000
Metamaterial Technologies Inc.	Payroll Rebate	Dartmouth	2,482,793
Royal Bank of Canada	Payroll Rebate	Halifax	22,000,000
DSM Nutritional Products	Payroll Rebate	Dartmouth	1,225,000
DSM Nutritional Products	Payroll Rebate	Mulgrave	5,000,000
			$60,709,137

PROJECT MANAGEMENT ACTIVITY

COMPANY	TYPE	LOCATION	AMOUNT
Vesuvius Media	Project Management	Halifax	n/a
NS LNG	Project Management	Guysborough	n/a
DDI International	Project Management	Halifax/ Guysborough	n/a

WHERE NOVA SCOTIA BUSINESS INC. AND ITS CLIENTS WORKED 2014-2015

Australia	Dominican Republic	Kuwait	Singapore
Barbados	England	Mexico	South Korea
Belgium	Finland	Netherlands	Spain
Bermuda	France	Norway	Sweden
Brazil	Germany	Panama	Switzerland
Canada	Greece	Peru	Tanzania
Chile	Iceland	Portugal	Trinidad and Tobago
China	India	Puerto Rico	United Arab Emirates
Colombia	Italy	Russia	United States
Costa Rica	Jamaica	Saudi Arabia	Vietnam
Cuba	Japan	Scotland	

**The list captures destination targets of trade employees, investment team employees, and company clients expanding or entering new markets.*

MANAGEMENT DISCUSSION AND ANALYSIS

Context

Nova Scotia Business Inc., a Nova Scotia Crown Corporation, led by a private-sector board, is the lead business development agency for the Province of Nova Scotia. Management has measured and analyzed the agency's activities and performance for the fiscal year 2014-2015. This annual report is Nova Scotia Business Inc.'s yearly public accountability statement of the agency's performance against the goals it set through Nova Scotia Business Inc.'s approved annual business plan at the beginning of its fiscal year 2014-2015.

Nova Scotia Business Inc.'s Mandate 2015-2016

Nova Scotia Business Inc. was created in 2001, by the Nova Scotia Business Incorporated Act, to be the lead business development agency for the Province of Nova Scotia. Led by a private-sector board of directors, Nova Scotia Business Inc.'s goal is to be a key point of contact for businesses in all communities to help them grow and prosper in the province and beyond. Nova Scotia Business Inc.'s dual focus is to attract global investment to Nova Scotia to create new jobs and help Nova Scotia's businesses to grow and succeed in the global economy through business advisory services, skill development and training, financing, and support in accessing global markets. The act requires Nova Scotia Business Inc. to fulfill the following:

The object of the Corporation is to promote business development in the Province by working directly with businesses to support economic growth through:

a) promote economic growth and business and social enterprise expansion in the Province by working directly with businesses and social enterprises;
b) attract investment to the Province;
c) connect businesses in the Province with export markets or opportunities outside the Province; and
d) exercise and perform the functions and duties conferred on it by this Act and the regulations or as may be required to meet the terms of the current outcomes agreement pursuant to Section 31A, the business plan of the Corporation and the strategic plan of the Corporation.

Economic Context in 2014-2015

Nova Scotia does business in a global economy and is impacted by what's happening across Canada and around the globe. Because growth depends on our ability to export our products and services to larger markets outside our borders, it is important to have regard for the state of the economy in national and international markets.

The recovery from the 2009 global recession has been slower than expected, largely due to varying growth among major world economies, with some rebounding quicker than others.[1] The recovery in China, the United Kingdom, and the United States has been strong; however, China's growth is beginning to soften. Sluggish growth in continental Europe, Japan, Russia, and Latin America has also slowed global recovery.[2] The end of 2014 brought with it a sharp drop in the price of crude oil, which has had significant impacts both globally and here at home. Since crude oil exports are a large contributor to Canada's economy, the value of the Canadian dollar compared to the US dollar has been dropping. The drop of the Canadian dollar was also influenced by the decision of the Bank of Canada to cut interest rates from 1 per cent to 0.75 per cent, and there is speculation that further cuts can be expected

The drop in the value of Canadian dollar is expected to last through the end of 2016.[3] What does this mean for Nova Scotia? While the low Canadian dollar will put pressure on Canadian consumers, who will have to pay more for goods and services from outside the country, it will help make Nova Scotia's exports more attractive to customers in the United States. All things considered, Nova Scotia will most likely see higher growth in terms of real GDP when compared to the national average through the end of 2016.[4]

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[1] United Nations. Global Economic Outlook. Chapter 1: World Economic Situation and Prospects 2015. New York, NY (January 2015).
[2] The World Bank. Global Economic Prospects: Having Fiscal Space and Using It. Chapter 1: Global Outlook. Washington, DC (January 2015)
[3] Scotiabank. Foreign Exchange Outlook. Toronto, ON (February 2015)
[4] TD Economics (www.td.com/economics). Canadian Provincial Economic Forecast Update (January 2015)

Corporate Scorecard

GOAL	INDICATOR	MEASURE OF SUCCESS	TARGET	YTD ACTUAL	STATUS
Attract and grow leading-edge, sustainable business investment	Client investment in Nova Scotia	# of projects committed by Investment Attraction clients [1]	12	18	✓
	Economic benefit to Nova Scotia	Average gross salary of new jobs forecasted to be created by Investment Attraction Clients [2]	$45,000	$53,750	✓
	Fiscally prudent financing	Forecasted average portfolio return on investments (ROI) utilizing strategic investment funds (SIFs) [3]	30%	35.3%	✓
Promote the growth of new and existing businesses in Nova Scotia by enabling them to succeed with business opportunities in both domestic and international markets	New exporters in Nova Scotia	# of new clients reporting their first export sale	20	9	✗
	Market penetration and diversification	# of clients introduced to new markets or further advanced in existing markets [4]	375	255	✗
	Increased export sales	Client-reported actual and forecasted export sales [5]	$300,000,000	$708,821,893	✓
Provide access to capital for promising Nova Scotia companies to help them achieve their full potential	Incremental equity investment	# of Venture Capital projects authorized	3	NA	
	Positive portfolio growth	Year over year portfolio valuation growth [6]	1%	-47.5%	
	Positive return on investment to the province	# of new external strategic partnerships into NSBI's portfolio	4	NA	
Provide access to capital for new/existing businesses in Nova Scotia, with the intent of enhancing value-added growth for the province's economy	Incremental value investment projects	# of Business Financing projects authorized [7][8]	15	6	✗
	Increased business financing referrals and facilitations	# of clients served through the NSBI Business Financing referral process	175	300	✓
	Partner for financing solutions	Leverage ratio of Partner/Client: NSBI	0.5 to 1.0	4.07	✓
	Net Economic benefit to Nova Scotia (loan interest and tax revenue)	Ratio of net economic benefit to province vs. write offs [9]	TBD	33	

Corporate Scorecard Notes:

1. A total of eighteen (18) investment transactions have been identified within the corporate scorecard. Fifteen (15) transactions are payroll rebates and three (3) are project management.
2. Average gross salary includes salary and benefits and is calculated using a weighted average.
3. ROI is calculated by ("Maximum forecasted direct tax recoveries" less "Maximum forecasted payroll rebate payout") divided by "Maximum forecasted payroll rebate payout".
4. Two hundred and fifty-five (255) clients were introduced to three hundred and ninety-nine (399) new markets, or reported further advancements in existing markets.
5. Client-reported actual and forecasted export sales of $708 million relates to sales resulting from a Nova Scotia Business Inc. related trade program. Clients reported actual export sales signed at the time of the event of $8.6 million. Clients were contacted again six months following the event and reported $43.8 million incremental sales and forecasted an additional $656 million in sales for the following 18 months.
6. Nova Scotia Business Inc. is no longer an active equity investor and no longer has the ability to do follow on investments. Nova Scotia Business Inc. continues to monitor and manage its portfolio. With no investments made into the portfolio from Nova Scotia Business Inc. in the past fiscal year, portfolio valuation was calculated comparing the value of the equity investments in 2013-2014 to its value in 2014-2015 as stated in the financial statements. The audited portfolio, as of March 31, 2015 is valued at $15,452,000, a 47.5 per cent decrease over the previous year.
7. A total of six (6) business financing transactions were completed which consisted of three (3) loans, one (1) guarantee, and two (2) payroll rebates.
8. One (1) loan was withdrawn before it was disbursed.
9. Ratio of net economic benefit to province vs. write-offs is calculated by dividing the total direct taxes generated by portfolio clients by the total write-offs in the current fiscal year.

Corporate Scorecard Discussion and Analysis

Nova Scotia Business Inc.'s impact can best be measured through the success of its private sector clients. The 2014-2015 Corporate Scorecard shows that Nova Scotia companies continue to export more, tap into new markets around the world, and national and international companies are choosing Nova Scotia to expand their global footprint.

In the 2014-2015 fiscal year, Nova Scotia Business Inc.'s clients did business in 43 countries and forecasted client export sales increased from $534 million to $708 million, resulting in a 33 per cent increase over the previous year's forecasted export sales. The number of new exporters remained unchanged from the previous year with nine new companies reporting their first export sale. There was a 12 per cent decrease on the number of clients introduced to new or existing markets.

Nova Scotia Business Inc. saw a 90 per cent increase over the previous fiscal year in the number of companies that chose to locate or expand in Nova Scotia, resulting in new money into the Nova Scotia economy. Nova Scotia Business Inc. had a total of 25 transactions, which included 17 payroll rebates, three project management files and four loans.

Nova Scotia Business Inc. uses its knowledge of local industries and financing options to assist companies in accessing capital to help meet their growth potential. In 2014-2015, Nova Scotia Business Inc.'s business financing group worked with 300 companies and saw a 69 per cent increase over the previous fiscal year in the number of companies it helped navigate financial solutions through the private sector including traditional banks and private financers.

With a new mandate for Nova Scotia Business Inc., it is no longer an active equity investor and no longer has the ability to do follow on investments to leverage private sector investment. Nova Scotia Business Inc. continues to monitor and manage its equity portfolio. As of March 31, 2015, the portfolio was valued at $15,542,000, a 47.5 per cent decrease over the previous year.

With the change in mandate, Nova Scotia Business Inc. also welcomed back Business Development Advisors located in five offices across the province. These advisors take a collaborative and proactive approach to working with companies, from one end of the province to the other, to identify and assist with growth opportunities. In 2014-2015 they worked with 370 clients, making 310 referrals to other agencies, partners, and financial institutions to help them navigate the business landscape and the tools required to help companies succeed.

Looking Ahead

The Nova Scotia Commission on Building Our New Economy's report established a number of economic development goals with respect to increasing the value of Nova Scotia exports, as well as exporters by 50 per cent by 2024 in order to ensure economic growth for Nova Scotia.

Nova Scotia Business Inc. has embraced the critical role it must play in supporting these goals and our activities over the next year will be focused on developing and implementing strategic plans designed to achieve success in three key areas:

1. Increase the number of exporters and the value of Nova Scotia's exports by helping Nova Scotia businesses to become exporters for the first time or to expand and increase exports by targeting key strategic markets and promoting unique value-added products and services that are in demand around the world.
2. Attract and grow high-value investments from domestic, national, and international companies to expand Nova Scotia's opportunities in key targeted sectors such as financial services, information and communications technology, ocean technology, aerospace and defence, and creative industries, as well as secure job creating investments in targeted regions such as Nova Scotia's rural communities by bringing value-added, sustainable innovation to the traditional sectors of mining, forestry, agriculture, aquaculture, and fisheries.
3. Establish Nova Scotia as an international jurisdiction of choice in which to invest, work, and do business.

2015-2016 will be a foundation-building year at Nova Scotia Business Inc. as detailed evidence-based market and sector strategic plans are developed and transparent outcomes-focused metrics are established in order to guide our activities and measure their impact.

APPENDIX:

The fiscal year 2014-2015 marked a year of transition for the Department of Economic and Rural Development and Tourism (ERDT) as government re-defined its role in economic development. This transition culminated in the dissolution of the Department on April 9, 2015 and the establishment of the Department of Business. This change in direction saw many of the features of ERDT re-aligned with other departments and agencies such as Nova Scotia Business Inc.

As per the Treasury Board Guidelines, the measures in the 2014-2015 ERDT Statement of Mandate will be reported by departments or agencies who were the receiving entities of programs covered by the performance measures. Nova Scotia Business Inc. is reporting on the Service Export Program and Go-Ahead Program and the Credit Union Loan Guarantee Program.

Trade and International Competitiveness Outcome

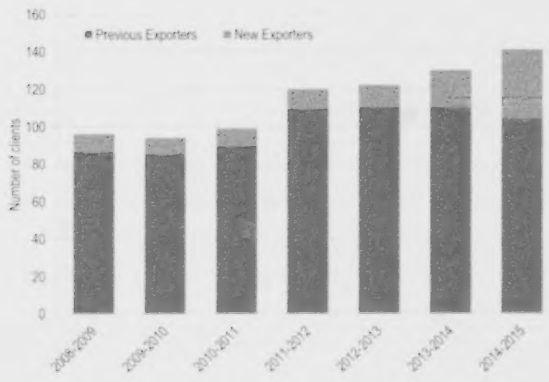
Increasing access to international markets

In 2014-2015, Nova Scotia Business Inc. administered the Go-Ahead Program (GAP) and the Service Export Program (SEP) on behalf of Economic and Rural Development and Tourism. Outcome measures for both of these programs were documented in the 2014-2015 Statement of Mandate for Economic and Rural Development and Tourism.

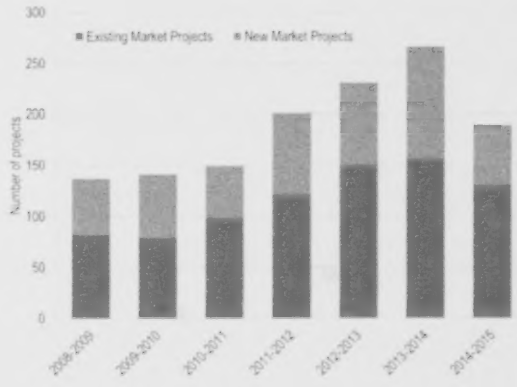
These programs in 2014-15 opened up new markets for over 30 percent of the 141 clients that participated. 104 of these clients were previous exporters and 37 of them were new exporters.* Nova Scotia companies who participated in these programs have reported $23,453,219 in new sales.

**New exporters are considered new clients to the program and may have exporting experience.*

Exporters in SEP and GAP



New and Existing Markets for SEP and GAP Projects



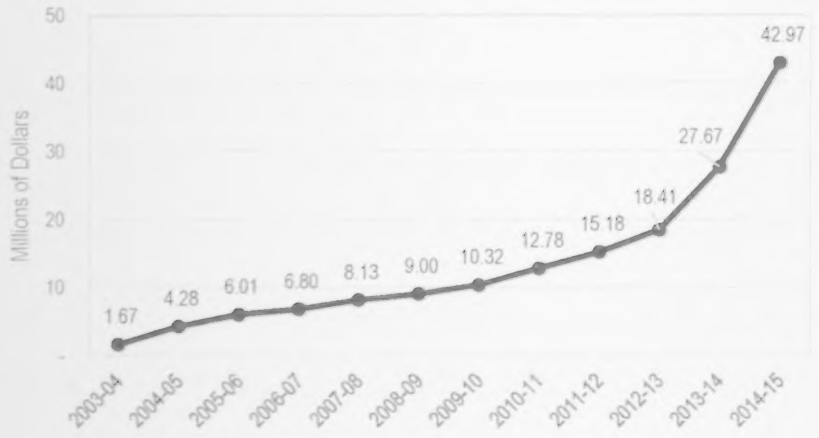
Small Business and Regional Development Outcome:

Increased access to capital for small business

The Credit Union Small Business Loan Guarantee Program in 2014-2015, offered Nova Scotia businesses access to capital under three main streams; the Regular Business Stream, the Immigrant Financing Stream, and the Social Enterprise Financing Stream. This program was administered by Economic and Rural Development and Tourism and was transferred to Nova Scotia Business Inc. on April 9, 2015. The chart below represents the outcome measure that was documented in the 2014-2015 Statement of Mandate from Economic and Rural Development and Tourism.

2014-2015 saw a 55 per cent increase in the amount of capital being made available to small businesses in Nova Scotia over the previous year. The graph captures the total amount of loans authorized through the Credit Union Small Business Loan Guarantee Program, but does not reflect other financial instruments such as lines of credit.

Value of Loans



MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Board of Directors are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board reviews internal financial statements on a quarterly basis and external audited financial statements yearly.

The external auditors, Deloitte LLP, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to financial management of Nova Scotia Business Inc. and meet when required.

On behalf of Nova Scotia Business Inc.

Laurel C. Broten
President and CEO

Ferdinand Makani MBA, CMA
Controller

Deloitte

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Nova Scotia Business Inc.

We have audited the accompanying financial statements of Nova Scotia Business Inc., which comprise the statement of financial position as at March 31, 2015, and the statements of operations and changes in accumulated operating surplus, remeasurement gains and losses, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Nova Scotia Business Inc. as at March 31, 2015 and the results of its operations, changes in net financial assets and its cash flows for the year then ended, in accordance with Canadian public sector accounting standards.

Deloitte LLP

Chartered Accountants
Halifax, Nova Scotia
June 24, 2015

Nova Scotia Business Inc.

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March 31, 2015

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Nova Scotia Business Inc.

Statement of operations and changes in accumulated operating surplus
Year ended March 31, 2015

(In thousands of dollars)

	Budget (Unaudited)	2015	2014
	$	$	$
Revenue			
Provincial			
Operating grant	**10,017**	**9,967**	9,924
Strategic investment grant	**8,509**	**9,237**	8,211
Loan valuation allowance grant	**2,420**	**2,420**	2,446
Miscellaneous	**1,600**	**2,011**	1,884
Interest on loans receivable	**2,476**	**2,172**	2,235
Other	**2,581**	**2,881**	758
Federal	**750**	**984**	986
Investment income	**483**	**479**	7,544
Gain on sale of tangible capital assets	**1,123**	**32**	298
	29,959	**30,183**	34,286
Expenses			
Operating expenses (Schedule 1)	**12,655**	**12,600**	12,947
Transfer payments to the Province of Nova Scotia	**90**	**53**	49
Strategic investments	**8,509**	**9,237**	8,211
Provision for credit losses and payment of guarantees	**2,638**	**19,094**	8,595
Provision for accrued interest receivable	**-**	**2,245**	-
Nova Scotia Business Fund: other expenses (Schedule 2)	**5,293**	**3,250**	2,751
	29,185	**46,479**	32,553
Annual operating (deficit) surplus	**774**	**(16,296)**	1,733
Accumulated operating surplus, beginning of year	**27,062**	**27,062**	25,329
Accumulated operating surplus, end of year	**27,836**	**10,766**	27,062

The accompanying notes to the financial statements are an integral part of this financial statement.

Nova Scotia Business Inc.

Statement of remeasurement gains and losses
Year ended March 31, 2015

(In thousands of dollars)

	2015	2014
	$	$
Accumulated remeasurement losses, beginning of year	-	1,168
Unrealized gains on portfolio investments	-	(1,168)
Accumulated remeasurement gains and (losses), end of year	-	-

The accompanying notes to the financial statements are an integral part of this financial statement.

Nova Scotia Business Inc.

Statement of changes in net financial assets
Year ended March 31, 2015

(In thousands of dollars)

	Budget (Unaudited)	2015	2014
	$	$	$
Annual operating (deficit) surplus	**774**	**(16,296)**	1,733
Change in tangible capital assets			
Acquisitions of tangible capital assets	-	-	(15)
Amortization of tangible capital assets	**49**	**58**	62
Gain on sale of tangible capital assets	**(1,123)**	**(32)**	(298)
Proceeds from sale of tangible capital assets	-	**53**	313
Net change in tangible capital assets	**(300)**	**(16,217)**	1,795
Change in other non-financial assets			
Acquisitions of prepaid assets	-	**(7)**	(3)
Use of prepaid assets	-	**4**	54
Net change in other non-financial assets	-	**(3)**	51
(Decrease) increase in non-financial assets	**(300)**	**(16,220)**	1,846
Remeasurement decrease arising during the year	-	-	(1,168)
(Decrease) increase in net financial assets	**(300)**	**(16,220)**	678
Net financial assets, beginning of year	**25,857**	**25,857**	25,179
Net financial assets, end of year	**25,557**	**9,637**	25,857

The accompanying notes to the financial statements are an integral part of this financial statement.

Nova Scotia Business Inc.

Statement of financial position
As at March 31, 2015
(In thousands of dollars)

	2015	2014
	$	$
Financial assets		
Cash and cash equivalents (Note 13)	**22,109**	19,842
Accrued interest receivable	**288**	1,949
Loan valuation allowance receivable	**11,833**	9,868
Other receivables	**1,571**	1,160
Due from the Province of Nova Scotia	**9,907**	6,746
Loans receivable (Note 2 and 6)	**33,793**	40,136
Equity investments (Note 3 and 6)	**15,452**	29,477
	94,953	109,178
Liabilities		
Accounts payable and accrued liabilities	**15,280**	8,326
Deferred revenue	**315**	306
Accrued interest payable	**171**	724
Employee benefits and other liabilities (Note 15)	**1,317**	1,519
Provision for payment of guarantees (Note 6 and 10)	**149**	-
Long-term debt due to the Province of Nova Scotia (Note 7)	**68,031**	72,397
Transfer payments payable to the Province of Nova Scotia	**53**	49
	85,316	83,321
Net financial assets	**9,637**	25,857
Non-financial assets		
Tangible capital assets (Note 4)	**1,122**	1,202
Prepaid expenses	**7**	3
	1,129	1,205
Accumulated operating surplus	**10,766**	27,062
Accumulated operating surplus is comprised of:		
Accumulated operating surplus	**10,766**	27,062
	10,766	27,062

Contractual obligations (Note 9)
Contingencies (Note 10)
Subsequent event (Note 17)

On behalf of the Board

_____ _____ Director

_____ _____ Director

The accompanying notes to the financial statements are an integral part of this financial statement.

Nova Scotia Business Inc.

Statement of cash flows
Year ended March 31, 2015

(In thousands of dollars)

	2015 $	2014 $
Operating transactions		
Annual operating (deficit) surplus	**(16,296)**	1,733
Items not affecting cash and cash equivalents		
Amortization of tangible capital assets	**58**	62
Redemption of loan valuation allowance receivable	**(455)**	(4,032)
Allowance for credit losses and provision for payment of guarantees	**19,094**	8,595
Capitalized interest on loans payable	**947**	854
Capitalized interest and dividends on loans and equity	**(85)**	(1,495)
Gain on sale of tangible capital assets	**(32)**	(298)
Revaluation gain on tangible capital assets	**-**	(59)
Exercised warrant options	**(1,225)**	-
Gain on sale of equity investments	**-**	(5,514)
Contributed tangible capital assets revenue	**-**	(15)
	2,006	(169)
Change in other (Note 13(b))	**2,343**	(142)
	4,349	(311)
Capital transactions		
Additions	**-**	74
Contributions	**-**	(15)
Proceeds from sale of tangible capital assets	**53**	313
	53	372
Investing transactions		
Loan advances	**(1,941)**	(8,035)
Principal received on loans	**5,174**	4,701
Redemption of equity investments	**-**	8,514
Acquisition of equity investments	**(500)**	(2,900)
	2,733	2,280
Financing transactions		
New notes payable from the Province of Nova Scotia	**2,266**	10,704
Principal repayments to the Province of Nova Scotia	**(7,134)**	(6,566)
	(4,868)	4,138
Increase in cash and cash equivalents	**2,267**	6,479
Cash and cash equivalents, beginning of year	**19,842**	13,363
Cash and cash equivalents, end of year	**22,109**	19,842

The accompanying notes to the financial statements are an integral part of this financial statement.

Nova Scotia Business Inc.

Notes to the financial statements
March 31, 2015
(in thousands)

Nova Scotia Business Inc. (the "Corporation") is a corporation, wholly-owned by the Province of Nova Scotia with an independent Board of Directors. The Corporation was established pursuant to the Nova Scotia Business Incorporated Act, Chapter 30 of the Acts of Nova Scotia, 2000. The Corporation's mission is to drive, through business development, a strong, prosperous and globally competitive Nova Scotia. The Corporation is not subject to provincial or federal taxes.

1. Summary of significant accounting policies

(a) Basis of accounting

The financial statements of the Corporation have been prepared by management in accordance with Canadian public sector accounting standards ("PSAS") as established by the Public Sector Accounting Board ("PSAB").

The Corporation follows the accrual method of accounting for revenues and expenses. Revenues are recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods and services and/or the creation of a legal obligation to pay.

(b) Cash and cash equivalents

Cash includes petty cash and amounts on deposit with financial institutions. Cash equivalents include short-term highly liquid investments with a term to maturity of 365 days or less at acquisition. All are measured at fair market value.

(c) Loans receivable

Loans receivable are recognized at amortized cost using the effective interest rate method. Loans receivable are classified as impaired when, in the opinion of management, there is reasonable doubt as to the timely collection of the full amount of principal and interest. A specific valuation allowance is established to reduce the recorded value of the impaired loan to its estimated net recoverable value.

A general allowance of 5% of cost is recorded to reflect anticipated future losses for all loans receivable which do not have a specific allowance.

Initial and subsequent changes in the amount of valuation allowance are recorded as a charge or credit to the statement of operations.

Loans receivable are written off after all reasonable restructuring and collection activities have taken place, and management believes that there is no realistic prospect of recovery. Once all or a part of a loan receivable has been written off, the write-off is not reversed, unless the loan receivable is recovered, in which case the recovery is credited to the statement of operations upon receipt.

(d) Equity investments

Equity investments in publicly traded companies are recorded at fair value using quoted prices in an active market with unrealized gains and losses being recognized in the statement of remeasurement gains and losses.

Investments in equity instruments of private enterprises are carried at cost with realized gains and losses recognized in the statement of operations in the period they are derecognized.

Investments in equity instruments of private enterprises are classified as impaired when, in the opinion of management, there has been a loss in the value of the equity instruments that is other than a temporary decline. A specific valuation allowance is established to reduce the recorded value of the impaired investments to their estimated net recoverable value.

A general allowance of 10% of cost is recorded to reflect anticipated future losses for all investments in private enterprises receivable which do not have a specific allowance.

The investments are reviewed twice yearly for potential declines in value.

A write-down of an investment to reflect a loss in value is not reversed if there is a subsequent increase in value.

Nova Scotia Business Inc.

Notes to the financial statements
March 31, 2015
(in thousands)

1. Summary of significant accounting policies (continued)

(e) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of assets. The cost, less residual value, of the tangible capital assets, excluding land, is amortized over their estimated useful lives as follows:

Asset	Basis	Rate
Buildings	Declining balance	5%
Wharves	Declining balance	5%
Utilities	Declining balance	4 - 15%

Assets not in use are not amortized until the asset is available for productive use.

In previous fiscal years, the Department of Transportation and Infrastructure Renewal had operational responsibility for the industrial parks and buildings. Certain revenues and expenses associated with the operation of the industrial parks and buildings were accounted for by the Department of Transportation and Infrastructure Renewal and were not reflected in NSBI's financial statements. However, effective April 1, 2014, Nova Scotia Business Inc. took over the operational responsibilities of these assets and their related expenses and revenues are now recorded in these financial statements.

Proceeds from the sale of assets less closing costs are remitted to the Province of Nova Scotia in the form of transfer payments. In current year, the transfer payments payable to the Province of Nova Scotia was $53 (2014 - $49).

(ii) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded in revenues at their fair value at the date of donation, except in circumstances where fair value cannot be reasonably determined, in which case they are recognized at nominal value.

(f) Other assets

Other assets consist of property acquired through foreclosure. Other assets are recorded at cost less a general allowance for the credit losses equal to 5% of cost. A specific allowance is recorded if management considers it necessary to reduce the asset to its estimated recoverable amount.

(g) Due to the Province of Nova Scotia

Amounts due to the Province of Nova Scotia, which are comprised of long-term debt, are recorded at amortized cost.

Nova Scotia Business Inc.

Notes to the financial statements
March 31, 2015
(in thousands)

1. Summary of significant accounting policies (continued)

(h) Government transfers

Government transfers are recognized in the financial statements in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made. The transfer payments recorded by the Corporation are flow-through arrangements of proceeds from the sale of crown assets which the Corporation administers and are remitted to the Province of Nova Scotia. In accordance with PS 3410, Government transfers do not include flow-through arrangements where a government agrees to act merely as an intermediary to administer funds on behalf of another party and has no ability to make decisions regarding the use of the funds.

Similarly, when funds are received as a result of an administrative flow-through arrangement in which a recipient government serves only as a cash conduit (i.e., it has no direct financial involvement in the program or decision-making capability in relation to the program) the receipt and disbursement of cash would not be recognized as transfers in that recipient government's financial statements.

(i) Revenue recognition

(i) Government contributions are recognized as revenue in the period the transfer is authorized, and all eligibility criteria have been met, except when, and to the extent, the transfer includes stipulations which have not yet been met.

Government contributions with stipulations are initially deferred and recognized as revenue as the related stipulations are met.

a. Operating grants have no criteria or stipulations and the Corporation recognizes revenue on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.
b. Strategic investment grants are recognized when expenditure is recorded in accordance with the Corporation's approved budget and shall be provided in accordance with policies and procedures set out in the Corporation's business plan.
c. Loan valuation grant is provided by the Province of Nova Scotia to offset the provision for credit losses and payment of guarantees.
d. Miscellaneous consists of various contracts for trade programs. Revenue is recognized in the period the transfer is authorized, and all eligibility criteria have been met, except when and to the extent the transfer includes stipulations which have not yet been met.

(ii) Interest revenue on the loans receivable is recognized on an accrual basis unless the ultimate collectability of the loan is in doubt. When a loan is classified as impaired, interest revenue is no longer recognized, and any interest income that is accrued is reversed. A loan is considered impaired when there is risk of loss to the Corporation of the full and timely collection of principal and interest; generally, when it is more than three months in arrears. In the event a loan is no longer considered to be impaired, interest revenue is recognized in the year of recovery.

(j) Provision for credit losses and payment of guarantees

The provision for credit losses is partially offset by a non-cash loan valuation allowance contribution from the Province of Nova Scotia. The contribution is recorded as both a receivable and revenue.

Nova Scotia Business Inc.

Notes to the financial statements
March 31, 2015
(in thousands)

1. Summary of significant accounting policies (continued)

(k) Employee future benefits

(i) The Corporation provides certain employee benefits which will require funding in future periods. These benefits include vacation pay and public service awards. Upon retirement, employees are eligible for a public service award equal to one week's salary per year of service to a maximum of twenty-six years. Management recognizes compensation expense on an accrual basis with actuarial assessments being carried out every three years. The next assessment is due in the 2017 fiscal year.

(ii) Permanent employees of the Corporation participate in the Public Superannuation Fund (the "Plan"), a contributory defined benefit pension plan administered by the Province of Nova Scotia, which provides pension benefits based on length of service and earnings. Contributions to the Plan are required by both the employees and the employer. The costs of the employer pension benefits are the Corporation's contributions due to the Plan in the period. The Corporation is not responsible for any under-funded liability, nor does the Corporation have any access to any surplus that may arise in this Plan.

(l) Use of estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant estimates included in the financial statements relate to the valuation of the loans receivable and equity investments. Actual results could differ materially from these estimates.

(m) Impairment of long-lived assets

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Corporation's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the statement of operations.

2. Loans receivable

	2015	2014
	$	$
Principal due	**60,436**	64,227
Allowance for credit losses (Note 6)	**(26,643)**	(24,091)
	33,793	40,136

Interest charged on these loans ranges from 0% to 12%. Repayment terms are negotiated on specific loans and would normally not exceed 20 years. The level of security on loans is also negotiated between the Corporation and the debtor based on the risk associated with the individual loan. The security can include life insurance, company assets, personal guarantees or the value of the parent company. Security can range from an unsecured position to a fully secured position.

Nova Scotia Business Inc.

Notes to the financial statements
March 31, 2015
(in thousands)

3. Equity investments

	2015	2014
	$	$
Common shares	**16,663**	19,326
Preferred shares	**27,626**	22,913
Convertible debentures and promissory notes	**5,350**	5,850
	49,639	48,089
Allowance for credit losses (Note 6)	**(34,187)**	(18,612)
	15,452	29,477

Certain preferred shares have conversion options and warrants attached.

4. Tangible capital assets

			2015	2014
	Cost	Accumulated amortization	Net book value	Net book value
	$	$	$	$
Land	**86**	-	**86**	107
Buildings	**873**	**655**	**218**	230
Wharves	**1,752**	**1,189**	**563**	592
Utilities	**458**	**203**	**255**	273
	3,169	**2,047**	**1,122**	1,202

5. Other assets

	2015	2014
	$	$
Property acquired through foreclosure, at cost	**750**	750
Less: allowance for credit losses (Note 6)	**(750)**	(750)
	-	-

Nova Scotia Business Inc.

Notes to the financial statements
March 31, 2015
(in thousands)

6. Allowance for credit losses and payment of guarantees

	2015				
	Gross balance outstanding	Specific allowance	General allowance	Total allowance	Net balance outstanding
	$	$	$	$	$
Loans receivable (Note 2)	60,436	25,056	1,587	26,643	33,793
Equity investments (Note 3)	49,639	32,917	1,270	34,187	15,452
Guarantees (Note 10)	625	149	-	149	476
Other assets (Note 5)	750	750	-	750	-
	111,450	58,872	2,857	61,729	49,721

	2014				
	Gross balance outstanding	Specific allowance	General allowance	Total allowance	Net balance outstanding
	$	$	$	$	$
Loans receivable (Note 2)	64,227	22,202	1,889	24,091	40,136
Equity investments (Note 3)	48,089	16,828	1,784	18,612	29,477
Guarantees (Note 10)	-	-	-	-	-
Other assets (Note 5)	750	750	-	750	-
	113,066	39,780	3,673	43,453	69,613

During the year, investments and other assets in the amount of $818 (2014 - $862) were written off and included in the allowance for credit losses and provision for payment of guarantees.

Nova Scotia Business Inc.

Notes to the financial statements
March 31, 2015
(in thousands)

7. Long-term debt to Province of Nova Scotia

(a) Notes payable to the Province of Nova Scotia are comprised of the following:

	Fiscal year of maturity	Applicable interest rate	2015 Principal outstanding	2014 Principal outstanding
		%	$	$
Note payable 2002-01 (Note 1(j))	-	0.00	1,291	1,334
Note payable 2004-01	2017	4.61	-	224
Note payable 2006-01	2027	5.09	999	1,141
Note payable 2006-02	2027	4.98	1,292	1,467
Note payable 2006-03	2027	4.86	2,095	2,380
Note payable 2006-04	2027	4.94	1,447	1,643
Note payable 2007-01	2027	5.11	652	741
Note payable 2007-02	2027	4.89	660	750
Note payable 2007-03	2027	4.97	281	320
Note payable 2007-04	2027	5.01	54	61
Note payable 2007-05	2027	5.38	941	1,068
Note payable 2007-06	2027	5.58	98	111
Note payable 2008-01	2017	4.02	260	454
Note payable 2008-02 to 2008-13	2016	1.04 - 3.67	1,143	1,390
Note payable 2009-02	2027	3.16	606	687
Note payable 2009-08	2020	1.84	525	700
Note payable 2009-09	2015	1.49	-	57
Note payable 2009-10	2020	2.53	7,000	6,796
Note payable 2009-11	2020	2.53	858	833
Note payable 2009-12	2020	2.53	1,178	1,144
Note payable 2009-13	2020	2.56	324	314
Note payable 2009-14	2020	1.84	175	233
Note payable 2009-15	2020	2.14	176	171
Note payable 2009-16	2020	2.18	1,336	1,296
Note payable 2009-17	2020	2.12	236	228
Note payable 2010-02	2016	3.67	299	288
Note payable 2010-04	2016	3.63	357	345
Note payable 2010-05	2018	3.17	34	58
Note payable 2010-06	2016	3.45	236	228
Note payable 2010-07	2016	3.45	589	570
Note payable 2010-09	2016	3.16	73	71
Note payable 2010-10	2016	3.17	98	95
Note payable 2010-13	2016	2.94	31	30
Note payable 2010-15	2016	2.57	616	601
Note payable 2010-16	2017	2.25	1,098	1,074
Note payable 2010-17	2016	1.20	524	524
Note payable 2010-19	2016	2.57	1,657	1,615
Note payable 2010-20	2016	2.17	-	31
Note payable 2010-21	2016	2.57	-	374
Note payable 2010-22	2017	1.96	553	543
Note payable 2010-23	2017	1.54	607	1,032
Note payable 2010-25	2017	1.89	552	541
Note payable 2010-26	2017	1.50	50	103
Note payable 2010-27	2016	2.94	572	556

(continued)

Nova Scotia Business Inc.

Notes to the financial statements
March 31, 2015
(in thousands)

7. Long-term debt to Province of Nova Scotia (continued)

(a) Notes payable to the Province of Nova Scotia are comprised of the following: (continued)

	Fiscal year of maturity	Applicable interest rate	2015 Principal outstanding	2014 Principal outstanding
		%	$	$
Note payable 2010-28	2016	1.54	-	71
Note payable 2010-30	2016	3.28	571	553
Note payable 2010-32	2016	1.88	-	374
Note payable 2010-33	2018	1.76	292	388
Note payable 2011-01	2017	1.54	156	262
Note payable 2011-02	2017	1.59	25	48
Note payable 2011-04	2018	1.70	16	26
Note payable 2011-05	2017	2.82	4,442	4,320
Note payable 2011-06	2017	2.65	2,185	2,128
Note payable 2011-07	2018	3.08	1,625	1,577
Note payable 2011-08	2016	1.74	47	141
Note payable 2011-09	2017	2.43	926	904
Note payable 2011-10	2015	1.46	-	711
Note payable 2011-12	2017	1.53	18	33
Note payable 2011-13	2017	1.49	109	203
Note payable 2011-14	2017	1.50	74	133
Note payable 2011-15	2017	1.59	45	86
Note payable 2011-16	2017	1.75	263	259
Note payable 2011-17	2017	2.14	247	276
Note payable 2012-01	2017	1.72	214	356
Note payable 2012-02	2017	1.59	17	32
Note payable 2012-03	2018	2.14	424	415
Note payable 2012-04	2017	1.62	261	257
Note payable 2012-05	2016	1.54	1,366	1,556
Note payable 2012-07	2016	1.82	1,071	1,219
Note payable 2012-08	2016	1.72	1,331	1,515
Note payable 2012-09	2016	1.56	1,120	1,275
Note payable 2012-10	2016	1.60	769	876
Note payable 2012-11	2016	1.68	901	1,026
Note payable 2012-12	2017	1.62	163	254
Note payable 2012-13	2016	1.67	799	909
Note payable 2012-14	2016	1.67	650	740
Note payable 2012-16	2016	1.78	364	358
Note payable 2012-17	2016	1.75	936	1,066
Note payable 2012-18	2018	2.27	1,050	1,027
Note payable 2012-19	2018	2.38	526	514
Note payable 2012-20	2018	2.31	210	205
Note payable 2012-21	2016	1.54	1,226	1,396
Note payable 2013-01	2016	1.61	790	899
Note payable 2013-02	2018	1.59	84	137
Note payable 2013-03	2020	1.25	35	103
Note payable 2013-04	2019	1.90	700	829

(continued)

Nova Scotia Business Inc.

Notes to the financial statements
March 31, 2015
(in thousands)

7. Long-term debt due to Province of Nova Scotia (continued)

(a) Notes payable to the Province of Nova Scotia are comprised of the following: (continued)

	Fiscal year of maturity	Applicable interest rate	2015 Principal outstanding	2014 Principal outstanding
		%	$	$
Note payable 2013-05	2019	1.90	124	146
Note payable 2013-06	2018	2.97	1,047	1,017
Note payable 2013-07	2016	2.09	429	488
Note payable 2013-08	2018	2.85	210	204
Note payable 2013-09	2017	1.86	206	203
Note payable 2013-10	2018	2.32	260	254
Note payable 2013-11	2018	1.51	254	324
Note payable 2013-12	2018	1.53	384	489
Note payable 2013-13	2016	1.45	778	878
Note payable 2013-14	2018	1.55	350	350
Note payable 2013-15	2016	1.38	194	239
Note payable 2013-16	2020	2.75	1,029	1,004
Note payable 2013-17	2016	1.91	975	1,083
Note payable 2013-18	2022	1.99	218	218
Note payable 2013-19	2019	1.89	383	500
Note payable 2013-20	2018	2.08	256	251
Note payable 2013-21	2020	1.25	58	69
Note payable 2013-22	2019	2.97	1,030	1,001
Note payable 2014-01	2019	1.87	489	-
Note payable 2014-02	2018	2.44	511	-
Note payable 2014-03	2018	1.80	180	-
Note payable 2014-04	2022	2.37	36	-
Note payable 2014-05	2019	1.81	447	-
Note payable 2014-06	2019	1.81	53	-
Note payable 2014-07	2022	2.28	109	-
Note payable 2014-08	2020	1.97	400	-
			68,031	72,397

Nova Scotia Business Inc.

Notes to the financial statements
March 31, 2015
(in thousands)

7. Long-term debt due to Province of Nova Scotia (continued)

Note payable 2002-01 in the amount of $1,291 (2014 - $1,334) has no set terms of repayment with the Province of Nova Scotia. The principal for this is repayable to the Province when the principal is collected from the loans that are funded by this note. In addition, 80% of the interest received or capitalized on the underlying loans is repayable to the Province.

The remaining notes are repayable in quarterly instalments of principal and interest based on maturity dates and rates set as above.

(b) Principal repayments on the notes, excluding note 2002-01, are as follows:

	$
2016	22,987
2017	13,537
2018	8,572
2019	3,014
2020	13,206
Thereafter	5,424
	66,740

Future scheduled interest capitalization amounts of $2,435 (2014 - $1,745) on certain existing notes payable are excluded in the above repayment amounts.

The total interest paid or payable during the year and recorded in the statement of operations was $2,181 (2014 - $2,184).

8. Share capital

The Corporation is authorized to issue 100 Class A common shares with a par value of $1 each. At year-end, 100 common shares have been issued to the Province. Share capital is grouped with accumulated surplus on the statement of financial position.

Nova Scotia Business Inc.

Notes to the financial statements
March 31, 2015
(in thousands)

9. Contractual obligations

(a) The Corporation has approved financing of $99 (2014 - $3,698) that has not been disbursed as at year-end.

(b) The Corporation administers strategic investments on behalf of the Province of Nova Scotia that permit approved businesses to receive a percentage of payroll taxes paid as a rebate. Expenses incurred by the Corporation are match-funded by the Province of Nova Scotia in the form of a Strategic Investment Grant.

As at March 31, 2015, transactions were approved with maximum annual payments over the next ten years of $100,647 (2014 - $77,672) as shown below:

	$
2016	21,559
2017	21,549
2018	18,628
2019	13,583
2020	10,139
2021	4,019
2022	2,985
2023	2,763
2024	2,763
2025	2,659
Total	100,647

10. Contingencies

(a) Guarantees

	Authorized	**Utilized 2015**	Utilized 2014
	$	**$**	$
Bank loans	**1,500**	**625**	-
Less: provision for payment (Note 6)	**-**	**149**	-
	1,500	**476**	**-**

The guarantees are secured by various assets and proceeds from liquidation are expected to offset a portion of any possible payments under guarantees.

(b) Litigation

The Corporation is co-defendant with the Province of Nova Scotia and Industrial Estates Limited in a dispute regarding environmental contamination on land previously owned by Industrial Estates Limited. The Corporation believes that any losses incurred related to this claim will be fully funded by the Province of Nova Scotia.

The Corporation is unable to form an opinion in regard to the likelihood of loss arising from the above litigation. Consequently, no provision for any possible loss has been recorded in these financial statements.

In addition, there are other outstanding claims against the Corporation for events that have arisen in the normal course of carrying on the operations of the Corporation. It is not possible at this time to determine the amount that may be assessed, or the impact to the Corporation's financial statements, with respect to these claims.

Nova Scotia Business Inc.

Notes to the financial statements
March 31, 2015
(in thousands)

11. Financial instruments

(a) Fair value

Equity investments in publicly-traded companies are recorded at fair market value, which represents the last bid price for the stock on the stock exchange. The Corporation sold all its publicly traded equity investments in the current year.

Fair value measurements in connection with the allowance for credit losses recognized in Notes 2 and 3 are categorized using the fair value hierarchy that reflects the significance of inputs used in determining the fair values:

- Level 1 - unadjusted quoted prices in the active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the assets or liability, either directly or indirectly; and
- Level 3 - inputs for assets and liabilities that are not based on observable market data.

Cash and cash equivalents and the portfolio investments in equity investments traded in active markets have been recorded as Level 1 using the fair value hierarchy.

(b) Financial risk factors

Risk management relates to the understanding and active management of risks associated with all areas of the business and the associated operating environment. The Corporation's Nova Scotia Business Fund assets are primarily exposed to credit, interest rate, market price and liquidity risk.

(i) Credit risk

Credit risk is the risk that an issuer or counterparty will be unable to meet a commitment that it has entered into with the Corporation. To mitigate this risk, the Corporation has developed the following policies:

Before financing is approved, a risk assessment is performed on the client. Each application is designated a risk rating based on the industry and business, quality of management, financial history and projections, the level of other creditor involvement and shareholder participation, and environmental risks. The terms and conditions of the approved financing are reflective of the assessed risk. Applications with unacceptable levels of risk are not approved.

Clients are usually limited to a total of $15 million in financing from the Corporation's Nova Scotia Business Fund. Three clients have exceeded this total in the past; two were approved in the Nova Scotia Business Development Corporation Fund and transferred to the Nova Scotia Business Fund via legislation on November 6, 2001 and both were paid out in a previous year. A third client, that was authorized financing of $15,100 approved in fiscal 2011, currently has an outstanding balance of $13,134 which is now below the $15,000 financing limit threshold (2014- $14,342) and has now been fully disbursed.

The risk rating for all clients is monitored on an on-going basis. Clients identified as higher risk are further assessed at year end to determine the extent of potential loss, taking into account the value of the security pledged in support of the financial assistance. This assessment could result in a reduction in the carrying value of the investment via the provision for credit losses.

(ii) Interest risk

Interest rate risk is the risk that the market value of the Corporation's investments and debt will fluctuate due to changes in the market interest rates. Interest rate risk is mitigated due to the fact that the Corporation matches the repayment timing of amounts borrowed with the repayment timing of financing advanced as closely as practical. It is management's opinion that the Corporation is not exposed to significant interest rate risk arising from financial instruments.

Nova Scotia Business Inc.

Notes to the financial statements
March 31, 2015
(in thousands)

11. Financial instruments (continued)

(b) Associated risks (continued)

(iii) Market price risk

Market price risk is the risk that the value of an investment will fluctuate as a result of changes in the market prices, whether those changes are caused by factors specific to the individual financial instrument, its issuer or factors affecting similar financial instruments traded in the market. As these equities are carried at fair value with the fair value changes recognized in the statement of remeasurement gains and losses, all changes in the market conditions will directly result in an increase (decrease) of accumulated remeasurement gains (losses). However, in 2014 fiscal year, the Corporation redeemed all investments held in publicly traded equities.

(iv) Liquidity risk

Liquidity risk is the risk that the entity will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity requirements are managed through the receipt of provincial grants, income generated from loans receivable and equity investments, and principal repayments received on loans receivable. These sources of funds are used to pay operating expenses and debt servicing payments to the Province of Nova Scotia. In the normal course of business the Corporation enters into contracts that give rise to commitments for future payments which also impact the Corporation's liquidity. The Corporation also maintains cash on hand for liquidity purposes and to pay accounts payable and accrued liabilities.

The following table summarizes the fixed contractual maturities for all financial liabilities as at March 31, 2015:

					2015	2014
	Within 1 year	2 to 5 years	6 to 10 years	Over 10 years	Total	Total
	$	$	$	$	$	$
Accounts payable and accrued liabilities	15,280	-	-	-	15,280	8,326
Accrued interest payable	171	-	-	-	171	724
Employee benefits and other liabilities	418	232	167	500	1,317	1,519
Transfer payments payable to the Province of NS	53	-	-	-	53	49
Deferred revenue	142	173	-	-	315	306
Provision for payment of guarantees	149	-	-	-	149	-
Long-term debt due to the Province of NS	22,987	38,329	5,424	-	66,740	71,063
	39,200	38,734	5,591	500	84,025	81,987

Nova Scotia Business Inc.

Notes to the financial statements
March 31, 2015
(in thousands)

12. Nova Scotia Business Fund

The Nova Scotia Business Fund (the "Fund") is comprised of investments approved under the direction and management of the Corporation and investments transferred from the Nova Scotia Business Development Corporation Fund ("NSBDC") on November 6, 2001. The following is a summary of the Fund as at March 31, 2015:

	NSBI portfolio		NSBDC portfolio		2015	2014
	Gross	Less allowance for credit losses	Gross	Less allowance for credit losses	Net Total	Net Total
	$	$	$	$	$	$
Assets						
Loans receivable	38,365	12,875	22,071	13,768	33,793	40,136
Equity investments	49,429	34,166	210	21	15,452	29,477
Industrial parks & buildings	-	-	1,122	-	1,122	1,202
Other assets	-	-	750	750	-	-
Guarantees	625	149	-	-	476	-
Financing authorized but unadvanced	99	-	-	-	99	3,098
	88,518	47,190	24,153	14,539	50,942	73,913
Funding authorized and committed						
Fund balance authorized, net of write-offs					223,859	224,677
Less: uncommitted balance of fund					111,188	107,310
Committed fund balance					112,671	117,367
Less: allowance for credit losses and provision for payment of guarantees (Note 6)					61,729	43,453
					50,942	73,914

13. Supplementary cash information

(a) Cash and cash equivalents include:

	2015	2014
	$	$
Cash	14,109	11,042
Short-term investments	8,000	8,800
	22,109	19,842

Nova Scotia Business Inc.

Notes to the financial statements
March 31, 2015
(in thousands)

13. Supplementary cash information (continued)

(b) Changes in other

	2015	2014
	$	$
Accrued interest receivable	**1,661**	(608)
Loan valuation allowance receivable	**(1,965)**	1,586
Other receivables	**(411)**	(85)
Due from the Province of Nova Scotia	**(3,160)**	(1,120)
Prepaid expenses	**(4)**	51
Accounts payable and accrued liabilities	**6,954**	32
Accrued interest payable	**(553)**	208
Non-cash accrued interest clearing loan valuation allowance	**10**	109
Employee benefits and other liabilities	**(202)**	87
Deferred revenue	**9**	(425)
Transfer payments payable to the Province of Nova Scotia	**4**	23
	2,343	(142)

(c) During the year, cash received for interest income was $1,982 (2014 - $2,099) and interest paid was $1,777 (2014 - $1,012).

Non-cash investing transactions	2015 $	2014 $
Equity market adjustments recorded as accumulated remeasurement loss	-	(1,168)
Conversion of convertible debentures to equity investments	1,000	1,000
Conversion of accrued interest to equity investments	85	144
Conversion of preferred dividends to equity investments	1,225	1,351

14. Related party transactions

During the year, there were no companies controlled or otherwise not independent of all of Nova Scotia Business Inc. eligible for payroll rebate rewards (2014 - $nil).

As at year-end, the total amount outstanding to companies that were controlled by, or otherwise not independent of, certain directors of Nova Scotia Business Inc. was $12,995 (2014 - $18,123) for financial assistance. Certain of these investments have specific allowances recorded against them totaling $500 (2014 - $4,330) and the Corporation has also recorded a 10% general reserve recorded against as well. Furthermore, there were no payroll rebates under this category this year (2014 - $336).

The Corporation occupies premises for which no rental fee is charged by the Province of Nova Scotia. Management estimates the annual cost to lease the premises is approximately $683 (2014 - $686).

The Corporation receives legal services free of charge from the Province of Nova Scotia. Management estimates the annual cost of these services is approximately $300 (2014 - $300).

During the year, due to the change in the Corporation's mandate, certain employees were transferred from the Province of Nova Scotia to the Corporation on secondment basis effective September 1, 2014. The related costs including operating costs in the amount of $907 were fully absorbed by the Province of Nova Scotia and are not reflected in these financial statements.

Nova Scotia Business Inc.

Notes to the financial statements
March 31, 2015
(in thousands)

14. Related party transactions (continued)

These transactions were carried out in the normal course of operations and on terms and conditions that would be similar to those of non-related parties.

15. Employee benefits, post-retirement benefits and other liabilities

(a) The employee benefits, post-retirement benefits and other liabilities, reported on the statement of financial position, are made up of the following:

	2015	2014
	$	$
Public service awards	720	676
Vacation pay	237	213
Other payroll accruals	360	630
	1,317	1,519

(b) Pension benefits

All full-time employees are entitled to receive pension benefits pursuant to the provisions of a pension plan established under the Public Service Superannuation Act ("PSSP") based on the employees' length of service and earnings. The plan is funded by the employee and the employer contributions. The employer's contributions for 2015 were $525 (2014 - $514) and are recognized as an operating expense in the year. As a result of changes to the PSSP that took effect April 1, 2013, the Province of Nova Scotia is no longer responsible for any unfunded liabilities of the PSSP, and the Province no longer administers the PSSP. The PSSP is now administered by an independent trustee, the Public Service Superannuation Plan Trustee Inc., which also administers the actuarial and investment risk.

16. Comparative figures

Certain comparative figures have been reclassified to conform with the financial presentation adopted in the current year.

17. Subsequent event

On April 9, 2015, the Nova Scotia provincial government tabled the March 31, 2016 budget in the House of Assembly, which included the elimination of the Film and Creative Industries Nova Scotia ("FCINS") agency's funding and a plan to cease its operations. Legislation introduced in the spring assigned all assets and liabilities of FCINS to the Corporation effective April 9, 2015. The Province of Nova Scotia will be fully funding any associated costs. There has been no adjustment to these financial statements to reflect this subsequent event.

Nova Scotia Business Inc.

Schedule 1

Schedule of operating expenses
Year ended March 31, 2015
(In thousands of dollars)

	Budget (Unaudited)	2015	2014
	$	$	$
Business development	3,989	4,139	4,373
Legal and audit	34	47	47
Office	278	286	451
Other	71	168	154
Salaries and benefits	7,228	6,735	6,882
Telecommunications and technical support	373	492	375
Travel	682	733	665
	12,655	12,600	12,947

The accompanying notes to the financial statements are an integral part of this financial statement.

Nova Scotia Business Inc.

Schedule 2

Schedule of Nova Scotia Business Fund: other expenses
Year ended March 31, 2015
(In thousands of dollars)

	Budget (Unaudited)	2015	2014
	$	$	$
Amortization	49	58	62
Interest	2,082	2,181	2,184
Legal	20	51	27
Recovery of commissions and other fees	2	-	(197)
Repairs, maintenance, salaries and other expenses	3,140	960	675
	5,293	3,250	2,751

The accompanying notes to the financial statements are an integral part of this financial statement.